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DELIVER LOY E/TT 0900

SUBJECT: CIVAIR CONSULTATIONS

REF: ROME 2074 AND 2035

AV 4 IT-2

1. IN MONDAY MORNING MEETING USDEL TABLED US DOC. 7 ON CAPACITY PER ROME 2074 PROVIDING FOR AUTOMATIC STABILIZATION INSTEAD OF UNILATERAL ACTION IN EVENT DISAGREED EX POST FACTO CONSULTATIONS. UNDER PROPOSAL AIRLINES WHOSE CAPACITY WAS SUBJECT CONSULTATIONS COULD NOT INCREASE CAPACITY FOR NEXT CORRESPONDING SEASON OVER PREVIOUS SEASION BY PERCENTAGE GREATER THAN MARKET GROWTH PREVIOUS SEASON. ITALDEL PROMISED REPLY NEXT SESSION.

2. LONG PROCEDURAL DEBATE FOLLOWED ON WHETHER ROUTES OR ALL-CARGO SHOULD BE DISCUSSED NEXT. IN END USDEL POSED HYPOTHETICAL QUESTION: IF USDEL CONCEDED IN PRINCIPLE THAT SOME MODIFICATION OF ROUTE SCHEDULE POSSIBLE, WOULD ITALDEL CONCEDE THAT ALL-CARGO SERVICES COULD COME UNDER THE AGREEMENT AT SOME SPECIFIED TIME. ITALDEL RESPONSE WAS CAUTIOUS WELL HEDGED YES, ALTHOUGH ITALDEL POINTED THAT ALL-CARGO LEVELS FOR INTERIM PERIOD STIPULATED IN US DOC. 6 (ROME 2035) WERE EXCESSIVE. USDEL THEN INDICATED WOULD ATTEMPT MAKE PRELIMINARY STATEMENT ON ROUTES IN NEXT SESSION.

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3. USDEL THEN TABLED US DOC. 8 ON MULTIPLE DESIGNATION AS FOLLOWS: AFTER STATING RESPECTIVE POSITIONS IN PARA 1 AND 2 DOCUMENT WOULD NOTE IN PARA 3 SPECIAL SITUATION OF DALLAS AND INDICATE THAT NEW CARRIER COULD BE DESIGNATED FOR ROUTE DALLAS/WASHINGTON (OR APPROPRIATE ALTERNATIVE) VIA INTERMEDIATE POINTS IN ROUTE SCHEDULE TO ROME. PARA 4 WOULD PROVIDE THAT IF US NEGOTIATES NEW US POINT IN ROUTE SCHEDULE US COULD DESIGNATE NEW CARRIER FOR THAT POINT IN WHICH EVENT US COULD NOT DESIGNATE NEW CARRIER FOR DALLAS. EXISTING US CARRIERS COULD BE DESIGNATED FOR DALLAS WITHOUT COMPENSATION OR SPECIAL LIMITATIONS.

4. IN AFTERNOON SESSION ITALDEL RESPONDED TO US DOC. 7 ON CAPACITY AND INDICATED AUTOMATIC STABLIZATION FEATURE DID NOT GO FAR ENOUGH. PROPOSED ALTERNATIVE ARRANGEMENT WOULD PROVIDE, IN EVENT DISAGREED CONSULTATIONS, THAT CAPACITY LEVELS FOR FOLLOWING CORRESPONDING SEASON COULD NOT EXCEED THE CAPACITY LEVEL OF THE SEASON PRIOR TO THE SEASON UNDER REVIEW BY A GROWTH FACTOR OVER TWO YEARS EQUAL TO THE MARKET GROWTH RATE OF THE SEASON UNDER REVIEW. EXAMPLE: IF 1970 LEVEL IS 100 AND CAPACITY INCREASE IN 1971 IS 30 WHILE MARKET GROWTH IN 1971 IS 15 PERCENT, IN EVENT DISAGREED CONSULTATION, 1972 LEVEL COULD BE 100 X 1.15 X 1.15 OR 132. USDEL BELIEVES THIS WOULD BE SATISFACTORY AS FINAL SOLUTION BUT INTENDS TRY ONE MORE TIME TO ACHIEVE BRAZIL FORMULA OF FREEZE.

5. USDEL THEN DELIVERED STATEMENT ON ROUTES NOTING INCREASING PENETRATION OF ALITALIA WHICH HAS DECREASED IMBALANCE BY $3 MILLION OVER PAST TWO YEARS. NOT ONLY THAT BUT ALITALIA IS INCREASING CAPACITY THIS SUMMER BY 47 PERCENT WHICH WILL FURTHER REDUCE IMBALANCE. ALL THIS EMPHASIZES ENORMOUS POTENTIAL OF US POINTS FOR ITALIANS. USDEL CONTENDED NO ECONOMIC CASE FOR MODIFICATION LAST PROPOSAL BUT IN EFFORT TO FIND SOME WAY TO ADVANCE NEGOTIATIONS IS PREPARED EXPLORE VARIOUS ALTERNATIVES. OBVIOUS ONES ARE (1) REDUCTION IN US POINTS ON US SIDE, (2) GREATER CO-TERMINALIZATION, (3) SUBSTITUTION OF STRONGER POINTS FOR ONES NOW IN PROPOSAL, OR (4) INCREASE IN NUMBER OF US POINTS. IN ANY EVENT THERE WAS NO POSSIBILITY WHATSOEVER OF INCREASING ITALIAN POINTS BY FOUR AS PROPOSED IN ITALIAN DOC 2. ALSO QUESTION INTERMEDIATES IMPORTANT AND ITALIAN FORMULATION

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HERE COMPLETELY UNSATISFACTORY.

6. ITALDEL OBVIOUSLY UNHAPPY WITH THIS STATEMENT, PROBABLY ANTICIPATING SPECIFIC IMPROVEMENT OUR OFFER. SAID DISCUSSION WAS "WASTE OF TIME" AND REQUESTED DEFERMENT FURTHER DISCUSSION UNTIL NEXT SESSION.

7. COMMENT: DIFFICULT NOW TO MOVE FURTHER WITHOUT WASHINGTON ADVISE ON ROUTES. WE NEED KNOW FINAL FALLBACK AND SUGGESTIONS ON PRIORITY OF CONCESSIONS. TWA HERE PREFERS REDUCING US POINTS (ASSUMING BEHIND GATEWAY) TO CONCEDING ANYTHING FURTHER WHILE PAA PREFERS CONCEDING POINT (DETROIT OR PHILADELPHIA) AND KEEPING ALL CERTIFICATED COMBINATION POINTS. INDUSTRY PREPARED REDUCE ALL-CARGO POINTS TO AS FEW AS FIVE. USDEL BELIEVES ITALIANS PREMARILY INTERESTED IN MORE POINTS RATHER THAN REDUCING US. BEHIND GATEWAY OBVIOUSLY CRITICAL IN ALL THIS.
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